

May 20.1986

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REGISTRATION NO. 1425

James H. Bayne
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

No.

Date MAY 20 1986

Fee \$

10.00

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INTERSTATE COMMERCE COMMISSION

Dear Mr. Bayne:

ICC Washington, D.C.

New Number
Enclosed for recordation under the provisions of Section 11303 of Title 49 of the U.S. Code are the original and five counterparts of a Pledge and Security Agreement-Trust Deed dated as of March 2, 1986. The Pledge and Security Agreement-Trust Deed is a primary document.

A general description of the railroad rolling stock covered by the enclosed documents and intended for use related to interstate commerce is set forth in Schedule 1 attached to this letter and made a part hereof.

The names and addresses of the parties to the Pledge and Security Agreement-Trust Deed are as follows:

Debtor:

California Group Services
One Walnut Creek Center
100 Pringle Street
Suite No. 225
Walnut Creek, California 94596
Attention: President

Secured Party:

The Connecticut National Bank
777 Main Street
Hartford, Connecticut 06115
Attention: Bond & Trustee Administration

The undersigned acted as special counsel in connection with the preparation of the enclosed documents and has knowledge of the matters set forth therein.

Please return the original and any extra copies of the Pledge and Security Agreement-Trust Deed not needed by the Commission for recordation to Kathleen M. Gruca, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of \$10.00 covering the required recording fee.

A short summary of the enclosed primary document to appear in the Index is as follows:

Q. K. Harrison
(Dandy)

Pledge and Security Agreement-Trust Deed between California Group Services, as Debtor, One Walnut Creek Center, 100 Pringle Street, Suite No. 225, Walnut Creek, California 94596, Attention: President and The Connecticut National Bank, as Secured Party, 777 Main Street, Hartford, Connecticut 06115, Attention: Bond & Trustee Administration covering railroad rolling stock.

Very truly yours,

CHAPMAN AND CUTLER

By Kathleen M. Gruca
Kathleen M. Gruca, Esq.

Enclosures

DESCRIPTION OF ITEMS OF EQUIPMENT

<u>IDENTIFYING MARKS AND NUMBERS</u>	<u>NUMBER OF CARS</u>	<u>DESCRIPTION</u>
SP 900011 to SP 900478 inclusive, except not including SP 900193, SP 900206, SP 900267, SP 900337, SP 900353, SP 900421, SP 900424, SP 900427, SP 900428, SP 900430 to SP 900432, SP 900434, SP 900435, SP 900438, SP 900439, SP 900441, SP 900445, SP 900457 to SP 900459, SP 900464, SP 900465, SP 900468, SP 900471, and SP 900475; SP 901100 to SP 901103 inclusive	446	70 ton trailer-on- flat cars

14964

REGISTRATION NO. _____ Filed 1425

MAY 20 1986 -2 30 PM

INTERSTATE COMMERCE COMMISSION

PLEDGE AND
SECURITY AGREEMENT-TRUST DEED

Dated as of March 2, 1986

From

CALIFORNIA GROUP SERVICES

DEBTOR

To

THE CONNECTICUT NATIONAL BANK

SECURED PARTY

(Southern Pacific No. 86-2)

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Attachments to Pledge and Security Agreement-Trust Deed:

Schedule 1 - Amortization Schedule
Schedule 2 - Description of Items of Equipment
Exhibit A - Form of Secured Note

**PLEDGE AND
SECURITY AGREEMENT-TRUST DEED**

THIS SECURITY AGREEMENT-TRUST DEED dated as of March 2, 1986 (the "Security Agreement") is from CALIFORNIA GROUP SERVICES, a California corporation (the "Debtor"), Debtor's post office address being One Walnut Creek Center, 100 Pringle Street, Suite No. 225, Walnut Creek, California 94596, to THE CONNECTICUT NATIONAL BANK, a national banking association (the "Secured Party"), whose post office address is 777 Main Street, Hartford, Connecticut 06115.

R E C I T A L S:

A. The Debtor financed the acquisition and reconditioning of the railroad equipment described in Schedule 1 attached hereto and made a part hereof (collectively, the "Equipment" or "Items of Equipment" and individually an "Item" or "Item of Equipment") by issuing notes to an institutional investor and applying the proceeds from the sale thereof to the purchase price and reconditioning cost of the Equipment.

B. The Debtor leased the Equipment to Greenbrier Leasing Corporation, a Delaware corporation ("Greenbrier") pursuant to Railroad Equipment Leases dated as of November 1, 1982 and January 1, 1983, respectively (collectively, the "Greenbrier Leases"), all subject and subordinate to the right, title and interest of the Lessee in and to the Equipment pursuant to the Lease hereinafter referred to.

C. Greenbrier has entered into a Railroad Equipment Lease dated as of September 1, 1982 as amended by the Amendment and Supplement to Railroad Equipment Lease thereto dated as of June 3, 1983, by the Second Amendment and Supplement to Railroad Equipment Lease dated as of March 15, 1984 (which Second Amendment and Supplement was amended by an Amendment dated as of December 15, 1984) and by the Third Amendment and Supplement to Railroad Equipment Lease dated as of August 20, 1985 (the Railroad Equipment Lease as so amended and supplemented being hereinafter collectively referred to as the "Lease") with Southern Pacific Transportation Company, a Delaware corporation (the "Lessee"), pursuant to which Greenbrier leased the Equipment for a lease term of approximately six years.

D. The Debtor now desires to refinance the purchase price and reconditioning cost of the Equipment and in connection therewith has entered into a Participation Agreement dated as of March 2, 1986 (the "Participation Agreement") with the Secured Party and the institutional investors referred to in Schedule 2 thereto (the "Note Purchasers"), providing for the commitment of the Note Purchasers to purchase not later than May 30, 1986, the 10.00% Secured Notes due 1992 (the "Notes") of the Debtor not exceeding an aggregate principal amount of \$6,195,297. The Notes are to be dated the date of issue, to bear interest from such date at the rate of 10.00% per annum prior to maturity, to be expressed to be payable in seventy-one (71) consecutive monthly installments, including both principal and interest, payable in accordance with the amortization schedule set forth in Schedule 2 hereto, with the first such installment to be paid on May 20, 1986, and the balance of such installments on the twentieth day of each calendar month thereafter to and including March 20, 1992 and to be otherwise substantially in the form attached hereto as Exhibit A.

E. In addition to refinancing the purchase price and reconditioning cost of the Equipment, the Debtor proposes to loan not in excess of \$1,680,209.11 of the proceeds from the issuance and sale of the Notes to Greenbrier pursuant to a Finance and Security Agreement dated as of March 2, 1986 (the "Greenbrier Finance Agreement") between the Debtor and Greenbrier, which loan will be evidenced by the 10% Secured Nonrecourse Note not exceeding \$1,680,209.11 in aggregate principal amount (the "Greenbrier Note") of Greenbrier.

F. As one of the conditions to its loan to Greenbrier pursuant to the Greenbrier Finance Agreement, the Debtor has required Greenbrier to secure payment of the Greenbrier Note by granting a first and prior security interest in all of Greenbrier's right, title and interest in and to the Lease and the rents and certain of the other sums due and to become due thereunder insofar as the Lease relates to the Equipment pursuant to the Greenbrier Finance Agreement.

G. As a condition to their purchase of the Notes of the Debtor pursuant to the Participation Agreement, the Note Purchasers have required that the Debtor: (i) grant a first security interest in the Equipment, (ii) reassign all of its right, title and interest in and to the Lease and the rents and certain of the other sums due and to become due thereunder insofar as the Lease relates to the Equipment assigned by Greenbrier to the Debtor pursuant to the Greenbrier Finance Agreement, (iii) assign all of its right, title and interest as lessor in, to and under the Greenbrier Leases, (iv) assign all of its right, title and interest (but none of its obligations) under the Greenbrier Finance Agreement, and (v) pledge the Greenbrier Note, and the Debtor is willing to do the same.

H. The Notes and all principal thereof and interest thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Debtor under the terms of the Notes, this Security Agreement or the Participation Agreement are hereinafter sometimes referred to as "indebtedness hereby secured".

I. All of the requirements of law relating to the transactions contemplated hereby have been fully complied with and all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument for the security of the Notes have been done and performed.

SECTION 1. GRANT OF SECURITY.

The Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Notes according to their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all of the Debtor's covenants and conditions contained in the Notes and in this Security Agreement, in the Participation Agreement and in the other Operative Agreements (as hereinafter defined) to which it is a party, does hereby convey, warrant, mortgage, assign, pledge and grant to the Secured Party, its successors in trust and assigns, a security interest in, all and singular of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 1.1, 1.2, 1.3, 1.4 and 1.5 hereof, subject always to those limitations set forth in Section 1.6 hereof, excluding, however, Excepted Rights in Collateral as defined in Section 1.9 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

1.1. Equipment Collateral. Collateral includes the Equipment; together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment, whether now owned or hereafter acquired which become the property of the lessor by the terms of the Lease, and all substitutions, renewals or replacements of said Equipment, whether pursuant to Section 12 of the Lease or otherwise, and additions, improvements, accessions and accumulations to any and all of said Equipment, which become the property of the lessor by the terms the Lease, together with all the rents, issues, income, profits and avails therefrom.

1.2. Greenbrier Lease Rental Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor as lessor in, to and under the Greenbrier Leases, including all extensions of the term of either of the Greenbrier Leases, together with all rights, powers, privileges, options and other benefits of the Debtor as lessor under the Greenbrier Leases, including, without limitation:

(a) the immediate and continuing right to receive and collect all rental and casualty value payments, insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable to or receivable by the Debtor, as lessor under the Greenbrier Leases pursuant thereto, except those sums reserved as Excepted Rights in Collateral under the applicable provisions of Section 1.9 hereof;

(b) subject only to the second paragraph of Section 2.6 hereof, the right to make all waivers and agreements and to enter into any amendments with respect to the Greenbrier Leases or any provision of any thereof;

(c) the right to take such action upon the occurrence of an Event of Default under either of the Greenbrier Leases or an event which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default under either of the Greenbrier Leases, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by either of the Greenbrier Leases or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under either of the Greenbrier Leases;

it being the intent and purpose hereof that, subject always to Excepted Rights in Collateral, the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive all Daily Rent, Fixed Rent, Additional Rent and Casualty Value payments and other sums relating to the Equipment for application in accordance with the provisions of Section 4 hereof at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged.

1.3. Lease Rental Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor as assignee of Greenbrier, as lessor in, to and under the Lease insofar as the same relates to the Equipment, including all extensions of the term of the Lease, together with all rights, powers, privileges, options and other benefits of the Debtor as assignee of the lessor under the Lease insofar as the same relates to the Equipment, including, without limitation:

(a) the immediate and continuing right to receive and collect all Daily Rent, Fixed Rent, Additional Rent and Casualty Value payments (as each such term is defined in the Lease), insurance proceeds, condemnation awards and other payments, tenders and security relating to the Equipment now or hereafter payable to or receivable by the lessor under the Lease pursuant thereto, except those sums reserved as Excepted Rights in Collateral under the applicable provisions of Section 1.9 hereof;

(b) subject only to the second paragraph of Section 2.6 hereof, the right to make all waivers and agreements and to enter into any amendments with respect to the Lease or any provision thereof relating to the Equipment; and

(c) the right to take such action upon the occurrence of an Event of Default under the Lease relating to the Equipment or an event which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default under the Lease relating to the Equipment, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or by law and to do any and all other things whatsoever which the Debtor as assignee of Greenbrier or any lessor is or may be entitled to do under the Lease;

it being the intent and purpose hereof that, subject always to Excepted Rights in Collateral, the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive all Daily Rent, Fixed Rent, Additional Rent and Casualty Value payments and other sums relating to the Equipment for application in accordance with the provisions of Section 4 hereof at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged.

1.4. Greenbrier Finance Agreement Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under (a) the Greenbrier Finance Agreement, and (b) all sums due and to become due under the Greenbrier Finance Agreement, together with all rights, powers, privileges, options and other benefits of the Debtor thereunder, including, without limitation, the right, subject only to the second paragraph of Section 2.6 hereof, to make all waivers, agreements and amendments, to give and receive duplicate copies of all notices and other instruments or communications, to take such action upon the occurrence of a default thereunder, including the commencement, conduct and consummation of legal, administrative or other proceedings as shall be permitted thereby or by law, and to do any and all other things which the Debtor is or may be entitled to do thereunder, it being the intent and purpose hereof that the assignment and transfer to the Secured Party of said rights, powers, privileges, options and benefits shall be effective and operative immediately and shall continue in full force and effect at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged.

1.5. Greenbrier Note Collateral. Collateral also includes the Greenbrier Note and all sums due and to become due in respect thereof, together with all rights, powers, privileges, options and other benefits of the Debtor with respect thereto.

1.6. After-Acquired Property. Collateral also includes any and all property described or referred to in granting clauses 1.1 through 1.5 hereof which is hereafter acquired which shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Secured Party, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing herein contained shall be deemed to modify or change the obligations of the Debtor under Section 2.3 hereof.

1.7. Limitations to Security Interest. The security interest granted by Sections 1.1 and 1.2 is subject to the leasehold estate of the Lessee in and to the Equipment leased and delivered under the Lease so long as no Event of Default thereunder, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default shall have occurred and be continuing.

1.8. Duration of Security Interest. The Secured Party, its successors in trust and assigns shall have and hold the Collateral forever; provided, always, however, that such security interest is granted upon the express condition that if the Debtor shall pay all the indebtedness hereby secured and shall observe, keep and perform all the terms and conditions, covenants and agreements herein, in the Participation Agreement, in the other Operative Agreements to which it is a party and in the Notes contained, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise to remain in full force and effect.

1.9. Excepted Rights in Collateral. There are expressly excepted and reserved from the security interest and operation of this Security Agreement the following described properties, rights, interests and privileges (hereinafter sometimes referred to as the "Excepted Rights in Collateral") and nothing herein or in any other agreement contained shall constitute an assignment of said Excepted Rights in Collateral to the Secured Party:

(a) all payments of any indemnity under Sections 7 and 15 of the Lease relating to the Equipment which by the terms of such sections of the Lease are payable to the Debtor as assignee of the lessor under the Lease for its own account;

(b) all rights of the Debtor as assignee of the lessor under the Lease to demand, collect, sue for or otherwise obtain all amounts from the Lessee due the Debtor as assignee of the lessor under the Lease on account of any such indemnities or payments pursuant to Sections 7 and 15 of the Lease, provided that the rights excepted and reserved by this paragraph (b) shall not be deemed to include the exercise of any remedies provided for in Section 18 of the Lease except the right to proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants and terms of the Lease or to recover damages for the breach thereof pursuant to, but only pursuant to, Section 18(A) of the Lease relating to remedies; and

(c) all rights, privileges and immunities of the Debtor in respect of any insurance policies maintained by the Lessee pursuant to Section 8(f) of the Lease relating to the Equipment, together with any insurance proceeds payable under general public liability policies so maintained which by the terms of such policies or the terms of the Lease are payable directly to the Debtor as assignee of the lessor for its own account;

(d) all payments of any indemnity under Sections 12, 13 or 14 of either of the Greenbrier Leases or repayments of interest under Section 28 of either of the Greenbrier Leases which are payable to the Debtor for its own account;

(e) all rights of the Debtor under either of the Greenbrier Leases to demand, collect, sue for or otherwise obtain all amounts from Greenbrier due the Debtor on account of any such indemnities or payments pursuant to Sections 12, 13, 14 or 28 of either such Lease, provided that the rights excepted and reserved by this paragraph (b) shall not be deemed to include the exercise of any remedies provided for in Section 21 of either of the Greenbrier Leases except the right to proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants and terms of the Lease or to recover damages for the breach thereof pursuant to, but only pursuant to, Section 21(b)(i) of either of the Greenbrier Leases; and

(f) all rights, privileges and immunities of the Debtor in respect of any insurance policies maintained by Greenbrier pursuant to Section 23 of either of the Greenbrier Leases, together with any insurance proceeds payable under general public liability policies so maintained which by the terms of such policies or the terms of either such Lease are payable directly to the Debtor for its own account.

1.10. Assignment of Rights and Not Duties. It is expressly understood and agreed that anything herein to the contrary notwithstanding, the Security Agreement is executed as collateral security and the execution and delivery hereof shall not in any way impair or diminish the obligations, if any, of the Debtor under or in respect of the Lease, the Greenbrier Leases, the Greenbrier Finance Agreement or the Greenbrier Note, and the Debtor shall remain liable thereunder to perform all of the obligations, if any, assumed by it thereunder all in accordance with and pursuant to the terms and provisions thereof; nor shall any of the obligations contained in any of such agreements or instruments be imposed upon the Secured Party or any of the from time to time holders of the Notes.

SECTION 2. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

2.1. Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements of or applicable to the Debtor set forth in the Participation Agreement, this Security Agreement, the Lease (if and to the extent assigned to the Debtor by Greenbrier), either of the Greenbrier Leases, the Greenbrier Finance Agreement or the Greenbrier Note (collectively, the "Operative Agreements"), and in each and every supplement or amendment to any thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to any such Operative Agreement were fully set out in an amendment or supplement to this Security Agreement. The Debtor undertakes to perform only such duties as are expressly and specifically set forth herein and in the other Operative Agreements and no implied obligations or covenants shall be read into this Security Agreement or any other Operative Agreements against the Debtor.

2.2. Warranty of Title. The Debtor has the right, power and authority to pledge, assign and grant a first and prior security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against all claims and demands whatsoever, excepting only Permitted Encumbrances (as hereinafter defined). The Debtor also agrees that it will, at its own cost and expense, without regard to the provisions of Section 7 hereof, pay or satisfy and discharge any such liens and encumbrances on the Collateral. Without limiting the foregoing, there is no financing statement or other filed or recorded instrument in which the Debtor is named and which the Debtor has signed, as debtor or mortgagor, now on file in any public office covering any of the Collateral excepting the financing statements or other instruments filed or to be filed in respect of and for the security interest provided for herein.

For purposes of this Section 2.2, Permitted Encumbrances shall mean: (a) the leasehold interest of the Lessee under the Lease provided that the same is not in default, and (b) the leasehold interest of Greenbrier under the Greenbrier Leases as long as, but only as long as, no event of default or event which with the lapse of time or giving of notice or both would constitute an event of default under the Lease shall have occurred and be continuing, and (c) any liens on or in respect of the Collateral or any part or portion thereof which the Lessee is obligated to discharge pursuant to the terms of the Lease, (d) any liens on or in respect of the Collateral or any part or portion thereof, either for taxes, assessments or other governmental charges not yet due and payable, or the legality, validity or applicability of which the Debtor is in good faith and by appropriate legal proceedings contesting in any reasonable manner which does not and will not adversely affect or endanger the title and interest of the Debtor in and to the Collateral or the security interest hereunder in and to the Collateral and (e) the lien of the Greenbrier Finance Agreement.

2.3. Further Assurances. The Debtor will, at no expense to the Secured Party, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the first and prior security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in the rents and other sums due and to become due under the Greenbrier Leases and the Lease in respect of the Equipment, the Debtor covenants and agrees that it will, pursuant to Section 17 of the Lease, notify Greenbrier and the Lessee of the assignment and reassignment hereunder and direct the Lessee to make all payments of such rents and other sums due and to become due under the Lease in respect of the Equipment directly to the Secured Party or as the Secured Party may direct in writing and such payment by the Lessee shall satisfy the obligations of Greenbrier to make payments of rents and other sums due and to become due under the Greenbrier Leases.

2.4. Recordation and Filing. The Debtor will cause this Security Agreement and all other Operative Agreements and all supplements hereto and thereto and all supplements thereto and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the Secured Party in such manner and in such place as may be required by law in order to fully preserve and protect the rights of the Secured Party hereunder.

2.5. Actions with Respect to Collateral. The Debtor will not:

(a) declare a default or exercise any remedies of the Debtor under, or terminate, modify or accept a surrender of, or offer or agree to any

termination, modification or surrender of, any of the Operative Agreements to which it is a party;

(b) receive or collect any rental or other payment under the Lease to the Equipment or under any of the other Operative Agreements to which it is a party except in respect of Excepted Rights in Collateral or as expressly permitted by Section 4.1 hereof or assign, transfer or hypothecate or grant a security interest in (other than to the Secured Party hereunder) any rental or other payment due or to accrue in the future under the Lease insofar as the same relates to the Equipment or under any other Operative Agreement; or

(c) sell, mortgage, transfer, assign or hypothecate or grant a security interest in (other than the Secured Party hereunder), or suffer or cause to permit any sale, mortgage, transfer, assignment, hypothecation or grant of a security interest in, its interest in the Collateral or any part or portion thereof, except as expressly permitted by Section 3.4 of the Participation Agreement and by Section 2.9 hereof.

2.6 Power of Attorney. The Debtor does hereby irrevocably constitute and appoint the Secured Party its true and lawful attorney with full power of substitution, for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, any and all rents, income and other sums which are assigned under Sections 1.1, 1.2, 1.3, 1.4, 1.5 and 1.6 hereof, and upon and during the continuance of an Event of Default or an event which with the lapse of time or giving of notice, or both ("Default"), would constitute an Event of Default, to sue for, compound and give acquittance for any and all such rents, income and other sums with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums and the security intended to be afforded hereby.

The Secured Party hereby agrees with the Debtor that so long as no Default or Event of Default hereunder has occurred and is continuing, the Secured Party will not consent to the modification, amendment or waiver of any term or provision of any of the Operative Agreements without the prior written consent of the Debtor.

2.7. Notice of Default. The Debtor further covenants and agrees that it will give the Secured Party prompt written notice of any event or condition constituting an Event of Default if the Debtor has actual knowledge of such event or condition.

2.8. Maintenance of Corporate Existence. The Debtor will preserve and keep in full force and effect its corporate existence, rights and franchises and all licenses and permits necessary to the performance of its obligations hereunder, except as otherwise permitted by Section 2.9 hereof.

2.9. Restrictions on Mergers, Consolidations and Sales of Assets. The Debtor will not sell, lease, transfer or otherwise dispose of all or a substantial portion of its corporate property or assets to any person, firm or corporation or consolidate with or merge into any other corporation or permit another corporation to merge into it unless (a)

the successor formed by or resulting from such consolidation or merger or to which such sale, lease or other disposition shall have been made shall be a solvent corporation organized under the laws of the United States of America or a State thereof or the District of Columbia; (b) such successor corporation (if other than the Debtor) shall assume all of such Debtor's obligations under this Security Agreement, the Notes and the other Operative Agreements to which it is a party; and (c) immediately after such merger, sale, lease or other disposition, such successor corporation shall not be in default in the performance or observance of any of the covenants, agreements or conditions contained in this Security Agreement or any of the other Operative Agreements to which it is a party.

SECTION 3. POSSESSION, USE AND RELEASE OF PROPERTY.

3.1. Possession of Collateral. While no Event of Default has occurred and is continuing hereunder, the Debtor shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto, provided, always, that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance of the terms of this Security Agreement.

3.2. Release of Property. So long as no default referred to in Section 18 of the Lease has occurred and is continuing to the knowledge of the Secured Party, the Secured Party shall execute a release in respect of any Item of Equipment designated by the Lessee for settlement pursuant to Section 12 of the Lease (and by Greenbrier for settlement pursuant to Section 15(b) of either of the Greenbrier Leases) upon receipt from the Lessee of written notice designating the Item of Equipment in respect of which the Lease will terminate and the receipt from the Lessee of all sums payable for such Item of Equipment in compliance with Section 12 of the Lease and Section 4.1(b) hereof or evidence reasonably satisfactory to the Secured Party that the Lessee has substituted an Item of Equipment pursuant to said Section 12 and that a supplement hereto and to the Lease and any financing and/or continuation statements or similar notices required by law to preserve and protect the title of the Debtor to such replacement Item of Equipment and the security interest of the Secured Party pursuant hereto has been recorded or filed to fully preserve and protect such rights.

3.3. Protection of Purchaser. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Secured Party to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

3.4. Deposit into Escrow Fund. The Secured Party hereby agrees to accept the sum of \$4,485.00 deposited with the Secured Party by Greenbrier as required by the Note Purchasers as a condition to their purchase of the Notes on the Closing Date under the Participation Agreement for deposit into the Escrow Fund created hereby (the "Escrow Fund"). The Escrow Fund shall be held in trust by the Secured Party and withdrawn and applied only for the purpose provided for in Section 3.6 or 3.7, as the case may be.

3.5. Investment of the Escrow Fund. So long as no Default or Event of Default shall have occurred and be continuing to the knowledge of the Secured Party, it shall, upon the written direction of Greenbrier and at the sole expense of Greenbrier, invest and reinvest the Escrow Fund in (a) direct obligations of the United States of America maturing in not more than five days from the date of investment, (b) certificates of deposit of commercial banks in the United States of America with capital and surplus of \$200,000,000 or more (but including the Secured Party so long as it has capital and surplus of \$80,000,000 or more) maturing in not more than five days from the date of such investment, or (c) repurchase agreements issued by a commercial bank or trust company which satisfies the requirements of the preceding clause (b), providing for the repurchase in not more than five days of obligations issued or guaranteed by the United States of America (such governmental obligations, certificates of deposit and repurchase agreements being hereinafter called the "Investments"), as may be specified in any such direction. Upon any sale or payment of any Investment, the proceeds thereof plus any interest received by the Secured Party thereon shall be held in the Escrow Fund. The amount by which such proceeds exceeds the cost of such Investment, including accrued interest and earned discount, is referred to in this Section 3 as a "Gain". The amount by which the cost of the Investment, including accrued interest and earned discount, exceeds such proceeds is referred to in this Section 3 as a "Loss". As soon as practicable after its receipt of the proceeds of any sale or payment of an Investment, the Secured Party will send a notice to Greenbrier and to the Debtor, by first-class mail, postage prepaid, of the amount of the Gain or Loss resulting from such sale or payment. If Gains exceed Losses, computed in each case on a cumulative basis with respect to all Investments, the amount of such excess shall constitute an "Escrow Gain" which shall be held and applied by the Secured Party as provided in Section 3.6 or Section 3.7, as the case may be. If Losses exceed Gains computed in each case on a cumulative basis with respect to all Investments, the amount of such excess shall constitute an "Escrow Loss". Greenbrier has agreed by a Letter Agreement dated May 20, 1986 (the "Letter Agreement") to be bound by the terms and conditions of Sections 3.4, 3.5, 3.6 and 3.7, and to make prompt payment of the Escrow Loss to the Secured Party and such payment shall be held and applied by the Secured Party as part of the Escrow Fund.

3.6. Condition to Disbursement from the Escrow Fund. Upon receipt of written notice from Chapman and Cutler, special counsel to the Note Purchasers that the Note Purchasers have received an amendment to the Third Amendment to Lease (as defined in the Participation Agreement), in form and substance reasonably acceptable to the Note Purchasers, the effect of which is to amend the Casualty Value payments as set forth in Exhibit D-1 to the Third Amendment to Lease to insure that at all times and from time to time the same are equal to or greater than the from time to time Loan Value of each Item of Equipment, the Secured Party shall release the Escrow Fund to or upon the order of Greenbrier.

3.7. Status of the Escrow Fund. All moneys from time to time on deposit with the Secured Party as part of the Escrow Fund are hereby pledged and assigned to the Secured Party (confirmed by Greenbrier by the Letter Agreement) and shall at all times constitute additional security for the payment of the principal and interest on the Notes. If an Event of Default has occurred and is continuing to the knowledge of the Secured Party, all moneys on deposit with the Secured Party as part of the Escrow Fund shall be applied in the manner provided for in Section 5 hereof in respect of Collateral.

**SECTION 4. APPLICATION OF ASSIGNED RENTALS AND CERTAIN OTHER
MONEYS RECEIVED BY THE SECURED PARTY.**

4.1. Application of Rents and Other Payments. As more fully set forth in Section 1.2 hereof, the Debtor has hereby granted to the Secured Party a security interest in rents, issues, profits, income and other sums due and to become due under the Lease in respect of the Equipment as security for the Notes, subject always to Excepted Rights in Collateral. So long as no Event of Default as defined in Section 5 hereof, has occurred and is continuing:

(a) The amounts from time to time received by the Secured Party which constitute payment by the Lessee under the Lease of the installments of Daily Rent and Fixed Rent under the Lease relating to the Equipment shall be applied first, to the payment of the installments of principal and interest (and in each case first to interest and then to principal) on the Notes which have matured or will mature on or before the due date of the installments of rental which are received by the Secured Party, second, to the payment to the Lessee of the sum of \$25.00 per Item of Equipment in satisfaction of the obligations of Greenbrier under Section 10 of the Lease pertaining to maintenance expenses, third, to the payment to the Lessee of any sum due and owing from the Lessor to the Lessee pursuant to Section 13 of the Lease, and then the balance, if any, of such amounts shall be paid to or upon the order of the Debtor not later than the first business day following the receipt thereof;

(b) The amounts from time to time received by the Secured Party which constitute settlement by the Lessee of the "Casualty Value" for any Item of Equipment pursuant to Section 12 of the Lease shall be applied by the Secured Party as follows:

(i) First, to the payment of an amount equal to the accrued and unpaid interest on that portion of the Notes to be prepaid pursuant to the following subparagraph;

(ii) Second, an amount equal to the Loan Value of such Item of Equipment for which settlement is then being made shall be applied to the prepayment of the Notes so that each of the remaining installments of each Note shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Notes immediately prior to the prepayment; and

(iii) Third, the balance, if any, of such amounts held by the Secured Party after making the applications provided for by the preceding subparagraphs (i) and (ii) shall be released to or upon the order of the Debtor on the date of payment of the amounts provided in the preceding clauses (i) and (ii).

For purposes of this Section 4.1(b), the "Loan Value" in respect of any Item of Equipment shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Assigned Value (as defined in the Participation Agreement) of such Item of Equipment for which settlement is then being made and the denominator of which is the aggregate Assigned Value of all Items of Equipment then subject to the Lease (including the Assigned Value of such Item of Equipment for which settlement is then being made), times (B) the unpaid principal amount of the Notes immediately prior to the prepayment provided for in this Section 4.1(b) (after giving effect to all payments of installments of principal made or to be made on the date of prepayment provided for in this Section 4.1(b);

(c) The amounts, if any, from time to time received by the Secured Party which constitute payments of Additional Rent under the Lease (other than Casualty Value payments) relating to the Equipment shall be paid to the Secured Party or any other holder of the Notes to which such Additional Rent is owed and then the balance, if any, of such amounts shall be promptly paid to or upon the order of the Debtor;

(d) The amounts, if any, received by the Secured Party from time to time which constitute proceeds of casualty insurance maintained by the Lessee in respect of the Equipment, shall be held by the Secured Party as a part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

(i) So long as no Default or Event of Default has occurred and is continuing to the knowledge of the Secured Party, the proceeds of such insurance shall, if the Item of Equipment is to be repaired, be released to the Debtor to reimburse the Lessee for expenditures made for such repair upon receipt by the Secured Party of a certificate of an authorized officer of the Lessee to the effect that any damage to such Item in respect of which such proceeds were paid has been fully repaired; and

(ii) If the insurance proceeds shall not have been released to the Debtor pursuant to the preceding paragraph (i) within 180 days from the receipt thereof by the Secured Party, or if within such period the Lessee shall have notified the Secured Party in writing that the Lease is to be terminated in respect of such Item in accordance with the provisions of Section 12 of the Lease, then so long as no Event of Default hereunder has occurred and is continuing to the knowledge of the Secured Party, the insurance proceeds shall be applied by the Secured Party as follows:

(A) First, to the prepayment of the Notes, all in the manner and to the extent provided for by clauses First and Second of Section 4.1(b) hereof; and

(B) Second, the balance, if any, of such insurance proceeds held by the Secured Party after making the applications provided for by the preceding subparagraph (A) shall be released to or upon the order of the Debtor on the date of such prepayment of the Notes.

4.2. Multiple Notes. If more than one Note is outstanding at the time any such application is made, such application shall be made on all outstanding Notes ratably in accordance with the aggregate principal amount remaining unpaid thereon.

4.3. Default. If an Event of Default referred to in Section 5 hereof has occurred and is continuing, all amounts received by the Secured Party pursuant to Section 1.2 hereof shall be applied in the manner provided for in Section 5 in respect of proceeds and avails of the Collateral.

SECTION 5. DEFAULTS AND OTHER PROVISIONS.

5.1. Events of Default. The term "Event of Default" for all purposes of this Security Agreement shall mean one or more of the following:

(a) Default in payment of an installment of the principal of, or interest on, any Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment or by acceleration or otherwise, and any such default shall continue unremedied for ten days;

(b) An Event of Default (as defined in the Lease) shall have occurred and be continuing under the Lease;

(c) An event of default shall have occurred and be continuing under or in respect of either of the Greenbrier Leases, the Greenbrier Finance Agreement or the Greenbrier Note;

(d) Default on the part of the Debtor in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor under this Security Agreement or any of the other Operative Agreements to which it is a party, and such default shall continue unremedied for 30 days after written notice from the Secured Party to the Debtor specifying the default and demanding the same to be remedied;

(e) Any representation or warranty on the part of the Debtor or Greenbrier made herein, in the Participation Agreement or in any of the other Operative Agreements to which either thereof is a party or in any report, certificate, financial or other statement furnished in connection with this Security Agreement or any of the other Operative Agreements or the transactions contemplated therein, shall prove to have been false or misleading in any material respect when made and shall remain material to the Secured Party or any holder of the Notes at the time any such person becomes actually aware of such misrepresentation;

(f) The Debtor or Greenbrier becomes insolvent or fails generally to pay its debts as such debts become due, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a custodian, trustee or receiver for the Debtor or Greenbrier or for the major part of the property of either thereof;

(g) A trustee or receiver is appointed for the Debtor or Greenbrier or for the major part of the property of either thereof and is not discharged within 60 days after such appointment; or

(h) Bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors, are instituted by or against the Debtor or Greenbrier and, if instituted against the Debtor or Greenbrier, as

the case may be, are consented to or are not dismissed within 60 days after such institution.

5.2. Secured Party's Rights. The Debtor agrees that when any Event of Default as defined in Section 5.1 has occurred and is continuing, but subject always to Section 7 hereof, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of Connecticut (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing, the Secured Party may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute.

(a) The Secured Party may, and upon the written request of the holders of at least 51% in principal amount of the Notes then outstanding shall, by notice in writing to the Debtor declare the entire unpaid balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable;

(b) Subject only to the rights of the Lessee under the Lease and to the rights of Greenbrier under the Greenbrier Leases, provided in each such case that no Default or Event of Default under the Lease shall have occurred and be continuing, the Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Debtor, with or without notice, demand, process of law or legal procedure, if this can be done without breach of the peace, and search for, take possession of, remove, keep and store the same, or use and operate or lease the same until sold;

(c) Subject only to the rights of the Lessee under the Lease and to the rights of Greenbrier under the Greenbrier Leases, provided in each such case that no Default or Event of Default under the Lease shall have occurred and be continuing, the Secured Party may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor, Greenbrier and the Lessee once at least ten days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Collateral, or any part thereof, at public auction or private sale to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to; provided, however, that any such sale shall be held in a commercially reasonable manner. Any

such sale or sales may be adjourned from time to time by written announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party or the holder or holders of the Notes, or of any interest therein, or the Debtor, Greenbrier or the Lessee may bid and become the purchaser at any such sale;

(d) Subject only to the rights of the Lessee under the Lease and to the rights of Greenbrier under the Greenbrier Leases, provided in each such case that no Default or Event of Default under the Lease shall have occurred and be continuing, the Secured Party may proceed to protect and enforce this Security Agreement and the Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral or any part thereof, or subject to the provisions of Section 7 hereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law; and

(e) Subject only to the rights of the Lessee under the Lease and to the rights of Greenbrier under the Greenbrier Leases, provided in each such case that no Default or Event of Default under the Lease shall have occurred and be continuing, provided the same is not then in default, the Secured Party may proceed to exercise all rights, privileges and remedies of the Debtor, as assignee of the lessor under the Lease insofar as the same relates to the Equipment and of the Debtor as lessor under the Greenbrier Leases, and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

5.3. Certain Rights of the Debtor on the Occurrence of an Event of Default Under the Lease. (a) Except as hereinafter provided, if an Event of Default under the Lease of which the Secured Party has knowledge shall have occurred and be continuing the Secured Party shall give the Debtor not less than 10 day's prior written notice of the date (the "Enforcement Date") on which the Secured Party will exercise any remedy or remedies pursuant to Section 5.2 hereof. In the event of the occurrence of an Event of Default in respect of the payment of Fixed Rent under the Lease on the day it becomes due and payable (unless there shall have occurred and be continuing any Event of Default under the Lease other than a failure to pay Fixed Rent), the Debtor may, prior to the Enforcement Date, pay to the Secured Party an amount equal to any principal and interest (including interest, if any, on overdue payments of principal and interest) then due and payable on the Notes and any other sums due and owing to the Secured Party under the Lease, and such payment by the Debtor shall be deemed to cure any Event of Default under the Lease and any Event of Default hereunder which arose or would otherwise have arisen on account of the non-payment by the Lessee of such installment of Fixed Rent under the Lease; provided, however, that the Debtor may not exercise such right in respect of more than two consecutive Fixed Rent payment defaults or in any event more than a total of five times throughout the term of the Lease. Each payment made by the Debtor pursuant to this Section 5.3(a) shall be accompanied by a certificate of the Debtor setting forth the number of times and dates on which it has exercised its rights under this Section 5.3(a).

Except as hereinafter in this Section 5.3(a) provided, the Debtor shall not, by exercising the right to cure any such Event of Default, obtain any lien, charge or encumbrance of any kind on any of the Collateral for or on account of costs or expenses incurred in connection with the exercise of such right nor shall any claims of the Debtor against the Lessee or any other party for the repayment of such costs or expenses impair the prior right and security interest of the Secured Party in and to the Collateral. Upon such payment by the Debtor of the amount of principal and interest then due and payable on the Notes, the Debtor shall be subrogated to the rights of the Secured Party in respect of the Fixed Rent which was overdue at the time of such payment and interest payable by the Lessee on account of its being overdue, and therefore, if no other Event of Default shall have occurred and be continuing and if all principal and interest payments due on the Notes have been paid at the time of receipt by the Secured Party of such Fixed Rent, the Debtor shall be entitled to receive such Fixed Rent and such interest upon, but only upon, receipt thereof by the Secured Party; provided that (i) in the event the principal and interest on the Notes shall have become due and payable pursuant to Section 5.2(a) hereof, such subrogation shall, until principal of and interest on all Notes shall have been paid in full, together with all costs and expenses incurred by the Secured Party in connection with the exercise of its rights and remedies hereunder, including reasonable attorneys fees, be absolutely and unconditionally subordinate to the rights of the Secured Party in respect of such payment of Fixed Rent and such interest on such overdue Fixed Rent, together with such costs and expenses, prior to receipt by the Debtor of any amount pursuant to such subrogation, and (ii) the Debtor shall not be entitled to seek to recover any such payment (or any payment in lieu thereof) except pursuant to the foregoing right of subrogation and pursuant to Section 18(A) of the Lease insofar as said section permits recovery of damages.

(b) Without limiting clause (a) of this Section 5.3, the Secured Party understands and agrees that, anything contained in this Section 5 to the contrary notwithstanding, if a Default or Event of Default of the character referred to in Section 5.1(c) hereof shall have occurred and be continuing at a time when (i) no other Default or Event of Default hereunder shall have occurred and be continuing and (ii) the payment in full of all Daily Rent, Fixed Rent, Additional Rent, Casualty Value payments, insurance proceeds, condemnation awards and other payments (collectively "Lessee Payments") when due and payable under the Lease are not being delayed or prevented and the use or application of any Lessee Payment by the Secured Party is not being delayed or prevented and the right of the Secured Party to use and apply any Lessee Payment is not the subject of any claim, challenge or contest, then and in such event, but only in such event, the Secured Party shall not terminate the interest of the Debtor in and to the Collateral pursuant hereto. The Debtor understands and agrees that upon the occurrence of any Default or any Event of Default hereunder other than, or in addition to, a Default or Event of Default of the character referred to in Section 5.1(c) hereof or in the event that the payment in full of any Lessee Payments when due and payable under the Lease is being delayed or prevented or the right of the Secured Party to use and apply any Lessee Payment is being delayed or prevented or the right of the Secured Party to use and apply any Lessee Payment is the subject of any claim, challenge or contest, the limitation on the exercise of remedies contemplated by this Section 5.3(b) shall then and thereafter be of no further force and effect, with the effect and result that the Secured Party shall have all of the rights and remedies otherwise contemplated by this Section 5.

5.4. Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection

with the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes held by such purchaser, including principal and interest thereof, out of the net proceeds of such sale.

5.5. Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Collateral or any part thereof prior to any sale or sales thereof to be made pursuant to any provision herein contained, or pursuant to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person, except decree or judgment creditors of the Debtor acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

5.6. Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold, shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns (subject, however, to the then existing rights, if any, of the Lessee under the Lease and to the rights of Greenbrier under the Greenbrier Leases, provided in each such case that no Default or Event of Default under the Lease shall have occurred and be continuing).

5.7. Application of Sale Proceeds. The proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all reasonable compensation, expenses, liability and advances, including legal expenses and attorneys' fees, owed to or incurred or made hereunder by, the Secured Party or the holder or holders of the Notes and of all taxes, assessments or liens superior to the lien of these presents;

(b) Second, to the payment of the holder or holders of the Notes of the amount then owing or unpaid on the Notes for principal and interest; and in case such proceeds shall be insufficient to pay in full the whole amount so

due, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest with application on each Note to be made, first, to the unpaid interest thereon, and then, to unpaid premium, if any, thereon, and third, to unpaid principal thereof; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid;

(c) Third, to the payment to the Secured Party and any other holder of the Notes of any other amounts then due and owing to any such party under any of the Operative Agreements; and

(d) Fourth, to the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

5.8. Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case the Debtor, the Secured Party and the holder or holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

5.9. Cumulative Remedies. No delay or omission of the Secured Party or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party, or the holder of any Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

SECTION 6. THE SECURED PARTY.

6.1. Certain Duties and Responsibilities of Secured Party. (a) Except during the continuance of an Event of Default:

(i) the Secured Party undertakes to perform such duties and only such duties as are specifically set forth in this Security Agreement, and no implied covenants or obligations shall be read into this Security Agreement against the Secured Party; and

(ii) in the absence of bad faith on its part, the Secured Party may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Secured Party and conforming to the requirements of this Security Agreement or any of the other Operative Agreements; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Secured Party, the Secured Party shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Security Agreement.

(b) In case an Event of Default has occurred and is continuing, the Secured Party shall exercise such of the rights and powers vested in it by this Security Agreement for the benefit of the holders of the Notes, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Security Agreement shall be construed to relieve the Secured Party from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(ii) the Secured Party shall not be liable for any error of judgment made in good faith by an officer of the Secured Party unless it shall be proved that the Secured Party was negligent in ascertaining the pertinent facts; and

(iii) the Secured Party shall not be liable to the holder of any Note with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of two-thirds principal amount of the Notes outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Secured Party, or exercising any trust or power conferred upon the Secured Party under this Security Agreement.

(d) No provision of this Security Agreement shall require the Secured Party to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Whether or not therein expressly so provided, every provision of this Security Agreement relating to the conduct or affecting the liability of or affording protection to the Secured Party shall be subject to the provisions of this Section.

6.2. Certain Limitations on Secured Party's Rights to Compensation and Indemnification. The Secured Party agrees that it shall have no right against the holders of any Note for the payment of compensation for its services hereunder or any expenses or disbursements incurred in connection with the exercise and performance of its powers and duties hereunder or any indemnification against liability which it may incur in the exercise and performance of such powers and duties but, on the contrary, shall look solely to

Greenbrier under Section 2.5 of the Participation Agreement for such payment and indemnification and that it shall have no lien on nor security interest in the Collateral as security for such compensation, expenses, reasonable counsel fees, if any, disbursements and indemnification except to the extent provided for in Section 5.7(a) hereof.

6.3. Certain Rights of Secured Party. (a) The Secured Party shall not be responsible for any recitals herein or in the Participation Agreement or for insuring the Equipment, or for paying or discharging any tax, assessment, governmental charge or lien affecting the Collateral, or for the recording, filing or refiling of this Security Agreement, or of any amendment or supplement thereto or further mortgage or trust, nor shall the Secured Party be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements contained herein or in any of the other Operative Agreements, and, except in the case of a default in the payment of the principal of, or interest on any Note or a default of which the Secured Party has actual knowledge, the Secured Party shall be deemed to have knowledge of any default in the performance or observance of any such covenants, conditions or agreements only upon receipt of written notice thereof from one of the holders of the Notes. The Secured Party shall promptly notify the Debtor and all holders of the Notes of any default of which the Secured Party has actual knowledge. Upon receipt by the Secured Party of such written notice from a holder of a Note, the Secured Party shall promptly notify the Debtor and all other holders of the Notes of such notice and the default referred to therein by prepaid registered mail addressed to them at their addresses set forth in the Register provided for in Section 8.3 hereof. For all purposes of this Security Agreement, in the absence of actual knowledge on the part of an officer in its Bond and Trustee Administration department, the Secured Party shall not be deemed to have knowledge of any default hereunder unless notified in writing by the Debtor, the Lessee or any holder of the Notes.

(b) The Secured Party makes no representation or warranty as to the validity, sufficiency or enforceability of this Security Agreement, the Notes, the Participation Agreement or any instrument included in the Collateral, or as to the value, title, condition, fitness for use of, or otherwise with respect to, any Equipment or Item of Equipment or any substitute therefor. The Secured Party shall not be accountable to anyone for the use or application of any of the Notes or the proceeds thereof or for the use or application of any property or the proceeds thereof which shall be released from the lien and security interest hereof in accordance with the provisions of this Security Agreement.

(c) The Secured Party may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(d) Any request, direction or authorization by the Debtor or the Lessee shall be sufficiently evidenced by a request, direction or authorization in writing, delivered to the Secured Party, and signed in the name of the Debtor, the Lessee or Greenbrier, as the case may be, by its Chairman of the Board, President, any Vice President, Treasurer or Secretary, and any resolution of the Board of Directors of the Debtor, the Lessee or Greenbrier shall be sufficiently evidenced by a copy of such resolution certified by its Secretary or an Assistant Secretary to have been duly adopted and to be in full force and effect on the date of such certification, and delivered to the Secured Party.

(e) Whenever in the administration of the trust herein provided for, the Secured Party shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate purporting to be signed by the Chairman of the Board, the President, any Vice President, the Treasurer or the Secretary of the Debtor, the Lessee or Greenbrier, as the case may be, and delivered to the Secured Party, and such certificate shall fully warrant to the Secured Party or any other person for any action taken, suffered or omitted on the faith thereof, but in its discretion the Secured Party may accept, in lieu thereof, other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

(f) The Secured Party may consult with counsel, appraisers, engineers, accountants and other skilled persons to be selected by the Secured Party, and the written advice of any thereof shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(g) The Secured Party shall be under no obligation to take any action to protect, preserve or enforce any rights or interests in the Collateral or to take any action towards the execution or enforcement of the trusts hereunder or otherwise hereunder, whether on its own motion or on the request of any other person, which in the opinion of the Secured Party may involve loss, liability or expense, unless the Debtor or one or more holders of the Notes outstanding shall offer and furnish reasonable security or indemnity against loss, liability and expense to the Secured Party.

(h) The Secured Party shall not be liable to the holder of any Note for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Security Agreement.

(i) The Secured Party shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, unless requested in writing to do so by the holders of not less than a majority in principal amount of the Notes then outstanding.

(j) The Secured Party may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Secured Party shall not be responsible for any action or inaction on the part of any agent or attorney appointed by it with due care.

(k) The provisions of paragraphs (c) to (j) inclusive of this Section 6.3 shall be subject to the provisions of Section 6.1 hereof.

6.4. Showings Deemed Necessary by Secured Party. Notwithstanding anything elsewhere in this Security Agreement contained, the Secured Party shall have the right, but shall not be required, to demand in respect of withdrawal of any cash, the release of any property, the subjection of any after-acquired property to the lien of this Security Agreement, or any other action whatsoever within the purview hereof, any showings, certificates, opinions, appraisals or other information by the Secured Party deemed necessary or appropriate in addition to the matters by the terms hereof required as a condition precedent to such action.

6.5. Status of Moneys Received. All moneys received by the Secured Party shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys, except to the extent required by law, and may be deposited by the Secured Party under such general conditions as may be prescribed by law in the Secured Party's general banking department, and the Secured Party shall be under no liability for interest on any moneys received by it hereunder. The Secured Party and any affiliated corporation may become the owner of any Note secured hereby and be interested in any financial transaction with the Debtor or any affiliated corporation or the Lessee or any affiliated corporation, or the Secured Party may act as depositary or otherwise in respect to other securities of the Debtor or any affiliated corporation or the Lessee or any affiliated corporation, all with the same rights which it would have if not the Secured Party. The Secured Party agrees that, whenever it shall be required to disburse moneys to the Debtor or any Note Purchaser under the provisions hereof, it shall do so by wire transfer of immediately available funds to a designated bank or trust company located in the continental United States whenever such method of payment is provided for in Schedule 1 or Schedule 2, as the case may be, to the Participation Agreement or is requested in writing by the Debtor or any Note Purchaser.

6.6. Resignation of Secured Party. The Secured Party may resign and be discharged of the trusts hereby created by mailing notice specifying the date when such resignation shall take effect to the Debtor and to the holders of the Notes at their addresses set forth in the Register provided for in Section 8.3 hereof. Such resignation shall take effect on the date specified in such notice (being not less than thirty days after the mailing of such notice) unless previously a successor secured party shall have been appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor.

6.7. Removal of Secured Party. The Secured Party may be removed and/or a successor secured party may be appointed at any time by an instrument or concurrent instruments in writing signed and acknowledged by the holders of 66-2/3% in principal amount of the Notes and delivered to the Secured Party and to the Debtor and, in the case of the appointment of a successor secured party, to such successor secured party.

6.8. Successor Secured Party. Each secured party appointed in succession of the Secured Party named in this Security Agreement, or its successor in trust, shall be a trust company or banking corporation in good standing and having a capital and surplus aggregating at least \$75,000,000, if there be such a trust company or banking corporation qualified, able and willing to accept the trust upon reasonable or customary terms.

6.9. Appointment of Successor Secured Party. If the Secured Party shall have given notice of resignation to the Debtor pursuant to Section 6.6 hereof, if notice of removal shall have been given to the Secured Party and the Debtor pursuant to Section 6.7 hereof, which notice does not appoint a successor secured party, a successor secured party may be appointed by the Debtor, or, if such successor secured party shall not have been so appointed or shall not have accepted such appointment within fifteen calendar days after the giving of such notice of resignation or the giving of any such notice of removal, as the case may be, a successor secured party may be appointed by the Debtor, the holder of any outstanding Note or, upon application of the retiring secured party, by any court of competent jurisdiction.

6.10. Merger or Consolidation of Secured Party. Any company into which the Secured Party, or any successor to it in the trust created by this Security Agreement, may be merged or converted or with which it or any successor to it may be consolidated or any company resulting from any merger or consolidation to which the Secured Party or any successor to it shall be a party (provided such company shall be a corporation organized under the laws of the United States of America or of a state thereof, having a capital and surplus of at least \$75,000,000), shall be the successor to the Secured Party under this Security Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto. The Debtor covenants that in case of any such merger, consolidation or conversion it will cause to be executed, acknowledged, recorded, and/or filed suitable instruments in writing to confirm the estates, rights and interests of such corporation as secured party under this Security Agreement.

6.11. Conveyance Upon Request of Successor Secured Party. Should any deed, conveyance or instrument in writing from the Debtor be required by any successor secured party for more fully and certainly vesting in and confirming to such new secured party such estates, rights, powers and duties, then upon request any and all such deeds, conveyances and instruments in writing shall be made, executed, acknowledged and delivered, and Debtor shall cause the same to be recorded and/or filed.

6.12. Acceptance of Appointment by Successor Secured Party. Any new secured party appointed pursuant to any of the provisions hereof shall execute, acknowledge and deliver to the Debtor an instrument accepting such appointment, and thereupon such new secured party, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers and trusts of its predecessor in the rights hereunder with like effect as if originally named as secured party herein; but nevertheless, upon the written request of the Debtor or of the successor secured party, the secured party ceasing to act shall execute and deliver an instrument transferring to such successor secured party, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the secured party so ceasing to act, and shall duly assign, transfer and deliver any of the property and moneys held by such secured party to the successor secured party so appointed in its or his place.

6.13. Co-Trustees. At any time, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Collateral may at the time be located, the Debtor and the Secured Party jointly shall have the power and shall execute and deliver all instruments, to appoint one or more persons approved by the Secured Party, to act as co-trustee, or co-trustees, of all or any part of the Collateral, and to vest in such person or persons, in such capacity, such title to the Collateral or any part thereof, and such rights, powers, duties, trusts or obligations as the Debtor and the Secured Party may consider necessary or desirable; provided that in no event shall such rights, powers, duties, trusts or obligations exceed those of the Secured Party. If the Debtor shall not have joined in such appointment within 15 days after the receipt by it of a request so to do, or in case a Default or an Event of Default shall have occurred and be continuing, the Secured Party alone shall have power to make such appointment.

SECTION 7. LIMITATIONS OF LIABILITY.

Anything in this Security Agreement, the Participation Agreement, the Notes, the Lease, any certificate, opinion or document of any nature whatsoever to the contrary notwithstanding, neither the Secured Party nor the holder of any Note nor their respective successors or assigns shall have any claim, remedy or right to proceed (at law or in equity) against the Debtor or any of its past, present or future shareholders, officers, directors, agents or employees (except with respect to Sections 2.2 and 2.5 hereof and in Sections 3.1, 3.2(a) and (b) and 6 of the Participation Agreement) for the payment of any deficiency or any other sum owing on account of the indebtedness evidenced by the Notes or for the payment of any liability resulting from the breach of any representation, agreement or warranty made hereunder of any nature whatsoever from any source other than the Collateral (including sums due and to become due under the Lease); and the Secured Party and the holders of the Notes by acceptance thereof waive and release any personal liability of the Debtor and its past, present and future shareholders, officers, directors, agents and employees (except with respect to Sections 2.2 and 2.5 hereof and in Sections 3.1, 3.2(a) and (b) and 6 of the Participation Agreement) for and on account of such indebtedness or such liability, and the Secured Party and the holders of the Notes agree to look solely to the Collateral for the payment of said indebtedness or the satisfaction of such liability; provided, however, nothing herein contained shall limit, restrict or impair the rights of the Secured Party and the holders of the Notes to accelerate the maturity of the Notes upon a default hereunder, to bring suit and obtain a judgment against the Debtor on the Notes (provided that neither the Debtor nor any of its past, present or future shareholders, officers, directors, agents or employees shall have any personal liability on any such judgment and the satisfaction thereof shall be limited to the property mortgaged or assigned by the Debtor as security for the Notes, including any interest therein of the Debtor) or, subject to the terms and conditions of the Lease, to foreclose the lien of this Security Agreement or otherwise realize upon the property mortgaged or assigned by the Debtor as security for the Notes, including the right to proceed against the Lessee under the Lease; and provided, further, that nothing herein contained shall limit the liability of the Debtor for its own fraudulent or willful misconduct.

SECTION 8. MISCELLANEOUS.

8.1. Registration and Execution. The Notes shall be registered as to principal and interest and shall be signed on behalf of the Debtor by its President or any Vice President or any other officer of the Debtor who, at the date of the actual execution thereof, shall be a proper officer to execute the same.

8.2. Payment of the Notes. (a) The principal of, and interest on, the Notes shall be payable by wire transfer of immediately available funds, in the case of any original Note Purchaser, as provided in Section 8.10 or as such Note Purchaser shall otherwise designate, and in the case of all other holders of the Notes, to such bank or trust company in the continental United States for the account of such holder as the holder shall designate to the Debtor from time to time in writing, and if no such designation is in effect, by check, duly mailed, by first class, postage prepaid, or delivered to such holder at its address appearing on the Register as defined in Section 8.3. All payments so made shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sums so paid. Each holder (or the person for whom such holder is a nominee)

by its acceptance of any Note agrees that, before selling, transferring or otherwise disposing of such Note, it will present such Note to the Debtor for transfer and notation as provided in Sections 8.4 and 8.5.

(b) All amounts constituting payment of the installments of rental under the Lease or Casualty Value received by the Secured Party and applied on the Notes pursuant to Section 4 hereof shall be valid and effectual to satisfy and discharge the liability upon such Notes to the extent of the amounts so received and applied.

8.3. The Register. The Debtor will keep at its principal office a register for the registration and transfer of Notes (herein called the "Register"). The names and addresses of the holders of the Notes, the transfers of the Notes and the names and addresses of the transferees of all Notes shall be registered in the Register, with copies to be provided by the Debtor to the Secured Party.

8.4. Transfers and Exchanges of Notes; Lost or Mutilated Notes.

(a) The holder of any Note may transfer such Note upon the surrender thereof at the principal corporate office of the Debtor. Thereupon, the Debtor shall execute in the name of the transferee a new Note or Notes in denominations not less than \$250,000 in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Note or Notes to such holder for delivery to such transferee.

(b) The holder of any Note or Notes may surrender such Note or Notes at the principal office of the Debtor, accompanied by a written request for a new Note or Notes in the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered and in denominations of \$250,000 or such amount in excess thereof as may be specified in such request. Thereupon, the Debtor shall execute in the name of such holder a new Note or Notes in the denomination or denominations so requested (but not less than \$250,000) and in the aggregate principal amount equal to the aggregate unpaid principal amount of the Note or Notes so surrendered and deliver such new Note or Notes to such holder, and shall advise the Secured Party thereof.

(c) All Notes presented or surrendered for exchange or transfer shall be accompanied (if so required by the Debtor) by a written instrument or instruments of assignment or transfer, in form satisfactory to the Debtor and to the Secured Party, duly executed by the registered holder or by its attorney duly authorized in writing. The Debtor shall not be required to make a transfer or an exchange of any Note for a period of ten days preceding any installment payment date with respect thereto. The Debtor may absolutely rely on any signature purporting to be correct and shall have no duty of inquiry upon any such presentation or surrender of Notes for exchange or transfer. Without limiting the foregoing, under no circumstance will the Debtor be required to make the same payment of principal, premium, if any, or interest on or in respect of the Notes to more than one holder of the Notes.

(d) No notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 8.4, and the holder of any Note issued as

provided in this Section 8.4 shall be entitled to any and all rights and privileges granted under this Security Agreement to a holder of a Note.

(e) In case any Note shall become mutilated or be destroyed, lost or stolen, the Debtor, upon the written request of the holder thereof, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substituted Note shall furnish to the Debtor and the Secured Party such security or indemnity as may be required by the Debtor or the Secured Party to save it harmless from all risks, and the applicant shall also furnish to the Debtor evidence to its satisfaction of the mutilation, destruction, loss or theft of the applicant's Note and of the ownership thereof. In case any Note which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Debtor may, instead of issuing a substituted Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note), if the applicant for such payment shall furnish to the Debtor and the Secured Party such security or indemnity as the Debtor or the Secured Party may require to save it harmless, and shall furnish evidence to the satisfaction of the Debtor of the mutilation, destruction, loss or theft of such Note and the ownership thereof. If any Note Purchaser, or its nominee, is the owner of any such lost, stolen or destroyed Note, then the affidavit of the president, vice president, treasurer or assistant treasurer of such Note Purchaser setting forth the fact of loss, theft or destruction and of its ownership of the Note at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no indemnity shall be required as a condition to execution and delivery of a new Note other than the written agreement of such Note Purchaser to indemnify the Debtor or the Secured Party for any claims or action against it (and for its attorney's fees) resulting from the issuance of such new Note or the reappearance of the old Note. The Debtor shall advise the Secured Party when any new Note is issued pursuant to this Section 8.4(e) as to the details relating to such issuance.

8.5. The New Notes.

(a) Each new Note (herein, in this Section 8.5, called a "New Note") issued pursuant to Section 8.4(a), (b) or (e) in exchange for or in substitution or in lieu of an outstanding Note (herein, in this Section 8.5, called an "Old Note") shall be dated the date of such Old Note. The Secured Party shall mark on each New Note (i) the dates to which principal and interest have been paid on such Old Note, (ii) all payments and prepayments of principal previously made on such Old Note which are allocable to such New Note, and (iii) the amount of each installment payment payable on such New Note. Each installment payment payable on such New Note on any date shall bear the same proportion to the installment payment payable on such Old Note on such date as the original principal amount of such New Note bears to the original aggregate principal amount of such Old Note. Interest shall be deemed to have been paid on such New Note to the date on which interest shall have been paid on such Old Note, and all payments and prepayments of principal marked on such New Note, as provided in clause (ii) above, shall be deemed to have been made thereon.

(b) Upon the issuance of a New Note pursuant to Section 8.4(a), (b) or (e), the Debtor may require the payment of a sum to reimburse it for, or to provide it with funds for, the payment of any tax or other governmental charge or any other charges and expenses, including reasonable attorneys' fees, connected therewith which are paid or payable by the Debtor.

(c) All New Notes issued pursuant to Section 8.4(a), (b) or (e) in exchange for or in substitution or in lieu of Old Notes shall be valid obligations of the Debtor evidencing the same debt as the Old Notes and shall be entitled to the benefits and security of this Security Agreement to the same extent as the Old Notes.

(d) Upon the issuance of any Note pursuant to this Security Agreement, the Secured Party may submit to the Debtor a request that the Debtor prepare and deliver to the Secured Party an amortization schedule with respect to such Note setting forth the amount of the installment payments to be made on such Note after the date of issuance thereof and the unpaid principal balance of such Note after each such installment payment. The Secured Party shall deliver, or send by first-class mail, postage prepaid, one copy of the applicable schedule to the holder of such Note at its address set forth in the Register.

8.6. Cancellation of Notes. All Notes surrendered for the purpose of payment, redemption, transfer or exchange shall be delivered to the Debtor for cancellation or, if surrendered to the Debtor, shall be cancelled by it, and no Notes shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Security Agreement.

8.7. Registered Owner. The person in whose name any Note shall be registered shall be deemed and treated as the owner thereof for all purposes of this Security Agreement and neither the Debtor nor the Secured Party shall be affected by any notice to the contrary. Payment of or on account of the principal of and interest on such Note shall be made only to or upon the direction in writing of such registered owner. For the purpose of any request, direction or consent hereunder, the Debtor and the Secured Party may deem and treat the registered owner of any Note as the owner thereof without production of such Note.

8.8. Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all the covenants, promises and agreements in this Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Secured Party, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

8.9. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision herein contained unenforceable or invalid, provided that nothing contained in this Section 8.9 shall be construed to be in derogation of any rights or immunities of the Debtor in its individual capacity under Section 7 hereof, or to amend or modify any limitations or restrictions of the Secured Party or the holder of any Note or their respective successors or assigns under said Section 7.

8.10. Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, certified or registered, postage prepaid, addressed as follows:

If to the Debtor: California Group Services
One Walnut Creek Center
100 Pringle Street
Suite No. 225
Walnut Creek, California 94596

Attention: President

If to the Secured
Party: The Connecticut National Bank,
as Security Trustee under a Pledge and
Security Agreement-Trust
Deed dated as of March 2, 1986
777 Main Street
Hartford, Connecticut 06115

Attention: Bond & Trustee Administration

If to any
holder of Notes: At its address for notices set
forth in the Register

or to any such party at such other address as such party may designate by notice duly given in accordance with this Section to the other parties.

8.11. Supplemental Security Agreements; Waivers. (a) **Supplemental Security Agreements Without Noteholders' Consent.** The Debtor and the Secured Party from time to time and at any time, subject to the restrictions in this Security Agreement contained, may enter into an agreement or agreements supplemental hereto and which thereafter shall form a part hereof for any one or more of the following purposes:

(i) to add to the covenants and agreements to be observed by, and to surrender any right or power reserved to or conferred upon the Debtor;

(ii) to subject to the security interest of this Security Agreement additional property hereafter acquired by the Debtor and intended to be subjected to the security interest of this Security Agreement, and to correct and amplify the description of any property subject to the security interest of this Security Agreement; or

(iii) to permit the qualification of this Security Agreement under the Trust Indenture Act of 1939, as amended, or any similar Federal statute

hereafter in effect, except that nothing herein contained shall permit or authorize the inclusion of the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939 or any corresponding provision in any similar Federal statute hereafter in effect;

and the Debtor covenants to perform all requirements of any such supplemental agreement. No restriction or obligation imposed upon the Debtor may, except as otherwise provided in this Security Agreement, be waived or modified by such supplemental agreements, or otherwise.

(b) Waivers and Consents by Noteholders; Supplemental Security Agreements with Noteholders' Consent. Upon the waiver or consent of the holders of at least 66-2/3% in aggregate principal amount of the Notes exclusive of any Notes held by the Lessee (x) the Debtor may take any action prohibited, or omit the taking of any action required, by any of the provisions of this Security Agreement or any agreement supplemental hereto, or (y) the Debtor and the Secured Party may enter into an agreement or agreements supplemental hereto for the purpose of adding, changing or eliminating any provisions of this Security Agreement or of any agreement supplemental hereto or modifying in any manner the rights and obligations of the holders of the Notes and the Debtor; provided, that no such waiver or supplemental agreement shall (i) impair or affect the right of any holder to receive payments or prepayments of the principal of and payments of the interest or premium, if any, on its Note, as therein and herein provided, without the consent of such holder, (ii) permit the creation of any lien or security interest with respect to any of the Collateral, without the consent of the holders of all the Notes at the time outstanding, (iii) effect the deprivation of the holder of any Note of the benefit of the security interest of this Security Agreement upon all or any part of the Collateral without the consent of such holder, (iv) reduce the aforesaid percentage of the aggregate principal amount of Notes, the holders of which are required to consent to any such waiver or supplemental agreement pursuant to this Section, without the consent of the holders of all of the Notes at the time outstanding, or (v) modify the rights, duties or immunities of the Secured Party, without the consent of the holders of all of the Notes at the time outstanding.

(c) Notice of Supplemental Security Agreements. Promptly after the execution by the Debtor and the Secured Party of any supplemental agreement pursuant to the provisions of paragraph (a) or (b) of this Section, the Secured Party shall give written notice, setting forth in general terms the substance of such supplemental agreement, together with a conformed copy thereof, mailed, first-class, postage prepaid, to each holder of the Notes. Any failure of the Secured Party to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental agreement.

(d) Opinion of Counsel Conclusive as to Supplemental Security Agreements. The Secured Party is hereby authorized to join with the Debtor in the execution of any such supplemental agreement authorized or permitted by the terms of this Security Agreement and to make the further agreements and stipulations which may be therein contained, and the Secured Party may receive an opinion of counsel as conclusive evidence that any supplemental agreement executed pursuant to the provisions of this Section 8.11 complies with the requirements of this Section 8.11.

8.12. Amendments. Subject to Section 8.11, this Security Agreement may, from time to time and at any time, be amended or supplemented by an instrument or instruments in writing executed by the parties hereto.

8.13. Release. The Secured Party shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been fully paid or discharged. Without limiting the foregoing, the Secured Party shall execute and deliver any such instrument or instruments as are required by Section 3.3 of the Lease in connection with the release of any Item of Equipment pursuant thereto.


8.14. Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of Connecticut without regard to principles of conflicts of law; provided, however, that the Secured Party and the Debtor shall be entitled to all the rights conferred by any applicable Federal statute, rule or regulation.

8.15. Counterparts. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement.

8.16. Headings. Any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be executed, as of the day and year first above written.

CALIFORNIA GROUP SERVICES

By 
Its VICE PRESIDENT

THE CONNECTICUT NATIONAL BANK,
as Secured Party

By 
Its TRUST OFFICER

ILLINOIS
STATE OF ~~CALIFORNIA~~)
) SS
COUNTY OF COOK)

On this 19th day of May, 1986, before me personally appeared Steven M. Pickens, to me personally known, who being by me duly sworn, say that he is a Vice President of CALIFORNIA GROUP SERVICES; that the foregoing instrument was signed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Teresa A. Mestas
Notary Public

(SEAL)

My commission expires: January 7, 1987

ILLINOIS
STATE OF ~~CONNECTICUT~~)
) SS
COUNTY OF COOK)

On this 19th day of May, 1986, before me personally appeared Laura A. Cronin, to me personally known, who being by me duly sworn, say that (s)he is a Teller of THE CONNECTICUT NATIONAL BANK; that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Teresa A. Mestas
Notary Public

(SEAL)

My commission expires: January 7, 1987

DESCRIPTION OF ITEMS OF EQUIPMENT

<u>IDENTIFYING MARKS AND NUMBERS</u>	<u>NUMBER OF CARS</u>	<u>DESCRIPTION</u>	<u>ASSIGNED VALUE EACH</u>	<u>TOTAL ASSIGNED VALUE</u>
SP 900011 to SP 900478 inclusive, except not including SP 900193, SP 900206, SP 900267, SP 900337, SP 900353, SP 900421, SP 900424, SP 900427, SP 900428, SP 900430 to SP 900432, SP 900434, SP 900435, SP 900438, SP 900439, SP 900441, SP 900445, SP 900457 to SP 900459, SP 900464, SP 900465, SP 900468, SP 900471, and SP 900475; SP 901100 to SP 901103 inclusive	446	70 ton trailer-on- flat cars	\$13,890.13	\$6,195,000

SCHEDULE 1
(to Security Agreement-Trust Deed)

AMORTIZATION SCHEDULE

(Payments Required Per \$1,000,000 Principal Amount
of 10.00% Secured Notes Issued by Debtor)

<u>Payment Number</u>	<u>Year</u>	<u>Date of Installment</u>	<u>Payment Amount</u>	<u>Interest Portion</u>	<u>Principal Portion</u>	<u>Ending Balance</u>
0	1986		0.00	0.00	0.00	0.00
0			0.00	0.00	0.00	0.00
0			0.00	0.00	0.00	0.00
0			0.00	0.00	0.00	1,000,000.00
1		May	18,561.93	0.00	18,561.93	981,438.07
2		Jun	18,561.93	8,178.65	10,383.28	971,054.79
3		Jul	18,561.93	8,092.12	10,469.81	960,584.98
4		Aug	18,561.93	8,004.87	10,557.06	950,027.92
5		Sep	18,561.93	7,916.90	10,645.03	939,382.89
6		Oct	18,561.93	7,828.19	10,733.74	928,649.15
7		Nov	18,561.93	7,738.74	10,823.19	917,825.96
8		Dec	18,561.93	7,648.55	10,913.38	906,912.58
			148,495.44	55,408.02	93,087.42	
9	1987	Jan	18,561.93	7,557.60	11,004.33	895,908.25
10		Feb	18,561.93	7,465.90	11,096.03	884,812.22
11		Mar	18,561.93	7,373.44	11,188.49	873,623.73
12		Apr	18,561.93	7,280.20	11,281.73	862,342.00
13		May	18,561.93	7,186.18	11,375.75	850,966.25
14		Jun	18,561.93	7,091.39	11,470.54	839,495.71
15		Jul	18,561.93	6,995.80	11,566.13	827,929.58
16		Aug	18,561.93	6,899.41	11,662.52	816,267.06
17		Sep	18,561.93	6,802.23	11,759.70	804,507.36
18		Oct	18,561.93	6,704.23	11,857.70	792,649.66
19		Nov	18,561.93	6,605.41	11,956.52	780,693.14
20		Dec	18,561.93	6,505.78	12,056.15	768,636.99
			222,743.16	84,467.57	138,275.59	
21	1988	Jan	18,561.93	6,405.31	12,156.62	756,480.37
22		Feb	18,561.93	6,304.00	12,257.93	744,222.44
23		Mar	18,561.93	6,201.85	12,360.08	731,862.36
24		Apr	18,561.93	6,098.85	12,463.08	719,399.28
25		May	18,561.93	5,994.99	12,566.94	706,832.34
26		Jun	18,561.93	5,890.27	12,671.66	694,160.68
27		Jul	18,561.93	5,784.67	12,777.26	681,383.42
28		Aug	18,561.93	5,678.20	12,883.73	668,499.69
29		Sep	18,561.93	5,570.83	12,991.10	655,508.59
30		Oct	18,561.93	5,462.57	13,099.36	642,409.23
31		Nov	18,561.93	5,353.41	13,208.52	629,200.71
32		Dec	18,561.93	5,243.34	13,318.59	615,882.12
			222,743.16	69,988.29	152,754.87	

SCHEDULE 2
(to Security Agreement-Trust Deed)

<u>Payment Number</u>	<u>Year</u>	<u>Date of Installment</u>	<u>Payment Amount</u>	<u>Interest Portion</u>	<u>Principal Portion</u>	<u>Ending Balance</u>
33	1989	Jan	18,561.93	5,132.35	13,429.58	602,452.54
34		Feb	18,561.93	5,020.44	13,541.49	588,911.05
35		Mar	18,561.93	4,907.59	13,654.34	575,256.71
36		Apr	18,561.93	4,793.81	13,768.12	561,488.59
37		May	18,561.93	4,679.07	13,882.86	547,605.73
38		Jun	18,561.93	4,563.38	13,998.55	533,607.18
39		Jul	18,561.93	4,446.73	14,115.20	519,491.98
40		Aug	18,561.93	4,329.10	14,232.83	505,259.15
41		Sep	18,561.93	4,210.49	14,351.44	490,907.71
42		Oct	18,561.93	4,090.90	14,471.03	476,436.68
43		Nov	18,561.93	3,970.31	14,591.62	461,845.06
44		Dec	18,561.93	3,848.71	14,713.22	447,131.84
			222,743.16	53,992.88	168,750.28	
45	1990	Jan	18,561.93	3,726.10	14,835.83	432,296.01
46		Feb	18,561.93	3,602.47	14,959.46	417,336.55
47		Mar	18,561.93	3,477.80	15,084.13	402,252.42
48		Apr	18,561.93	3,352.10	15,209.83	387,042.59
49		May	18,561.93	3,225.35	15,336.58	371,706.01
50		Jun	18,561.93	3,097.55	15,464.38	356,241.63
51		Jul	18,561.93	2,968.68	15,593.25	340,648.38
52		Aug	18,561.93	2,838.74	15,723.19	324,925.19
53		Sep	18,561.93	2,707.71	15,854.22	309,070.97
54		Oct	18,561.93	2,575.59	15,986.34	293,084.63
55		Nov	18,561.93	2,442.37	16,119.56	276,965.07
56		Dec	18,561.93	2,308.04	16,253.89	260,711.18
			222,743.16	36,322.50	186,420.66	
57	1991	Jan	18,561.93	2,172.59	16,389.34	244,321.84
58		Feb	18,561.93	2,036.02	16,525.91	227,795.93
59		Mar	18,561.93	1,898.30	16,663.63	211,132.30
60		Apr	18,561.93	1,759.44	16,802.49	194,329.81
61		May	18,561.93	1,619.42	16,942.51	177,387.30
62		Jun	18,561.93	1,478.23	17,083.70	160,303.60
63		Jul	18,561.93	1,335.86	17,226.07	143,077.53
64		Aug	18,561.93	1,192.31	17,369.62	125,707.91
65		Sep	18,561.93	1,047.57	17,514.36	108,188.55
66		Oct	18,561.93	901.61	17,660.32	90,533.23
67		Nov	18,561.93	754.44	17,807.49	72,725.74
68		Dec	18,561.93	606.05	17,955.88	54,769.86
			222,743.16	16,801.84	205,941.32	

<u>Payment Number</u>	<u>Year</u>	<u>Date of Installment</u>	<u>Payment Amount</u>	<u>Interest Portion</u>	<u>Principal Portion</u>	<u>Ending Balance</u>
69	1992	Jan	18,561.93	456.42	18,105.51	36,664.35
70		Feb	18,561.93	305.54	18,256.39	18,407.96
71		Mar	18,561.36	153.40	18,407.96	.00
72		Apr	.00	0.00	0.00	.00
73		May	.00	0.00	0.00	.00
74		Jun	.00	0.00	0.00	.00
75		Jul	.00	0.00	0.00	.00
76		Aug	.00	0.00	0.00	.00
77		Sep	.00	0.00	0.00	.00
78		Oct	.00	0.00	0.00	.00
79		Nov	.00	0.00	0.00	.00
80		Dec	.00	0.00	0.00	.00
			55,685.22	915.36	54,769.86	

CALIFORNIA GROUP SERVICES

10.00% SECURED NOTE
(NON-RECOURSE)

No. R-

\$ _____, 1986

FOR VALUE RECEIVED, the undersigned, CALIFORNIA GROUP SERVICES,
a California corporation (the "Debtor") promises to pay to

or registered assigns,
the principal sum of

DOLLARS (\$ _____)

together with interest from the date hereof until maturity at the rate of 10.00% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof, in installments as follows:

(i) Seventy (70) installments of both principal and interest in the respective amounts set forth in the amortization schedule attached hereto, payable on May 20, 1986 and on the twentieth day of each calendar month thereafter to and including February 20, 1992; followed by

(ii) A final installment on March 20, 1992 in the amount equal to the entire principal and interest remaining unpaid hereunder as of said date.

Without limiting the foregoing, the Debtor agrees to pay interest on overdue principal and (to the extent legally enforceable) on overdue interest at the rate of 11.00% per annum after maturity, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the registered holder hereof in such coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This Note is one of the 10.00% Secured Notes of the Debtor not exceeding \$6,195,297 in aggregate principal amount (the "Notes") which is issued under and pursuant to the Participation Agreement dated as of March 2, 1986 (the "Participation Agreement") among the Debtor, Greenbrier Leasing Corporation, The Connecticut National Bank, as security trustee (the "Secured Party") and The Minnesota Mutual Life Insurance Company, Sons of Norway and Early American Life Insurance Company, as note purchasers, and which is also issued under and equally and ratably with said other Notes secured by that certain Pledge and Security Agreement-Trust Deed dated as of March 2, 1986 (the "Security Agreement") from the Debtor to the Secured Party. Reference is made to the Security Agreement and all supplements and amendments thereto executed pursuant to the

EXHIBIT A
(to Security Agreement-Trust Deed)

Security Agreement for a description of the collateral, the nature and extent of the security and rights of the Secured Party, the holder or holders of the Notes and of the Debtor in respect thereof.

Certain prepayments are required to be made on this Note and any other Notes outstanding under the Security Agreement. The Debtor agrees to make the required prepayments on the Notes in accordance with the provisions of the Security Agreement.

The terms and provisions of the Security Agreement and the rights and obligations of the Secured Party and the rights of the holders of the Notes may be changed and modified to the extent permitted by and as provided in the Security Agreement.

This Note is a registered Note and is transferable only by surrender thereof at the principal office of the Debtor, duly endorsed or accompanied by a written instrument of transfer, duly executed by the registered holder of this Note or his attorney duly authorized in writing and otherwise in accordance with the terms and provisions of the Security Agreement.

This Note and the Security Agreement are governed by and construed in accordance with the laws of the State of Connecticut.

Anything in this Security Agreement, the Participation Agreement, the Notes, the Lease (as defined in the Security Agreement), any certificate, opinion or document of any nature whatsoever to the contrary notwithstanding, neither the Secured Party nor the holder of any Note nor their respective successors or assigns shall have any claim, remedy or right to proceed (at law or in equity) against the Debtor or any of its past, present or future shareholders, officers, directors, agents or employees (except with respect to Sections 2.2 and 2.5 of the Security Agreement and in Sections 3.1, 3.2(a) and (b) and 6 of the Participation Agreement) for the payment of any deficiency or any other sum owing on account of the indebtedness evidenced by the Notes or for the payment of any liability resulting from the breach of any representation, agreement or warranty made hereunder of any nature whatsoever from any source other than the Collateral (including sums due and to become due under the Lease); and the Secured Party and the holders of the Notes by acceptance thereof waive and release any personal liability of the Debtor and its past, present and future shareholders, officers, directors, agents and employees (except with respect to Sections 2.2 and 2.5 hereof and in Sections 3.1, 3.2(a) and (b) and 6 of the Participation Agreement) for and on account of such indebtedness or such liability, and the Secured Party and the holders of the Notes agree to look solely to the Collateral for the payment of said indebtedness or the satisfaction of such liability; provided, however, nothing herein contained shall limit, restrict or impair the rights of the Secured Party and the holders of the Notes to accelerate the maturity of the Notes upon a default hereunder, to bring suit and obtain a judgment against the Debtor on the Notes (provided that neither the Debtor nor any of its past, present or future shareholders, officers, directors, agents or employees shall have any personal liability on any such judgment and the satisfaction thereof shall be limited to the property mortgaged or assigned by the Debtor as security for the Notes, including any interest therein of the Debtor) or, subject to the terms and conditions of the Lease, to foreclose the lien of this Security Agreement or otherwise realize upon the property mortgaged or assigned by the Debtor as security for the Notes, including the right to proceed against the Lessee under the Lease; and provided, further, that nothing herein contained shall limit the liability of the Debtor for its own fraudulent or willful misconduct.

IN WITNESS WHEREOF, the Debtor has caused this Note to be duly
executed.

CALIFORNIA GROUP SERVICES

By _____
Its _____

NOTICE

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE. THE NOTE MAY NOT BE OFFERED OR SOLD UNLESS IT IS REGISTERED UNDER THE APPLICABLE SECURITIES LAWS OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.